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RUEHCV/AMEMBASSY CARACAS 1767  
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RUEHQT/AMEMBASSY QUITO 4398  
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SUBJECT: YPFB PRESIDENT RESIGNS

REF: LA PAZ 2056

¶1. (SBU) Summary: On August 28, President Morales announced the resignation of the President of the state oil company YPFB, Jorge Alvarado. Alvarado resigned in the face of corruption accusations related to a contract between YPFB and Iboamerica Trading (reftel). Morales also announced the replacement of four officials who had uncovered and publicized Alvarado's presumed malfeasance, and spoke of a "conspiracy" against the nationalization process. Initial private sector reactions to the naming of Juan Carlos Ortiz as the new YPFB President were positive. He is regarded as a solid technocrat. End Summary.

#### YPFB President Resigns

¶2. (U) On August 28, President Morales announced the resignation of the President of the state oil company YPFB, Jorge Alvarado, on television. Alvarado resigned in the face of corruption accusations related to a contract between YPFB and Iboamerica Trading (reftel). Morales also announced the replacement of four officials who had uncovered and publicized Alvarado's presumed malfeasance, and spoke of a "conspiracy" against the nationalization process. The dismissed officials include the Director of the Hydrocarbons Regulatory Agency, the Legal Adviser in the Regulatory Agency, and the Vice Minister of Hydrocarbons.

#### New YPFB President: An Experienced Technocrat

¶3. (SBU) Alvarado was replaced by Juan Carlos Ortiz, the former Vice President of Administration and Contracts of YPFB. Ortiz, 38, is a native of Santa Cruz. He is an economist and holds an MBA. He previously worked as the Distribution Manager of Petrobras Bolivia and as the Deputy Director of the Hydrocarbons Regulatory Agency. In a meeting with Ortiz on August 17, he told Econoff that he wanted to transform YPFB into a transparent, modern corporation. He said that Bolivia could not rely on foreign investment for development, but needed to generate internal savings. He cited the models of Petrobras, Brazil's semi-state owned oil

company, and ENAP, Chile's state-owned oil company, which he said had played important roles in the development of those countries. Private company representatives present responded that they wanted a revamped, capable YPFB with whom they could negotiate.

#### New Hydrocarbons Superintendent Against Contracts

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¶4. (U) The Director of the Hydrocarbons Regulatory Agency, Victor Hugo Sainz, was replaced by Santos Berrios. Berrios, 68, is a native of Potosi and a constitutional lawyer. He has served as Supreme Court judge and representative of the oil company Andina. He is known as an opponent to private investors in Bolivia's hydrocarbons sector, having published texts and lodged a constitutional complaint against the 72 shared risk contracts between YPFB and private companies.

#### Hydrocarbons Vice Minister Supports the MAS

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¶5. (U) The Vice Minister of Hydrocarbons, Julio Gomez, who confirmed the regulator's accusations that the contract signed by YPFB violated the nationalization decree, was replaced by Guillermo Aruquipa. Aruquipa has served as adviser to Evo Morales and Senate President Santos Ramirez. He was involved in drafting the 2005 Hydrocarbons Law and is a strong supporter of the MAS party.

¶6. (SBU) Comment: Morales' decision to accept Alvarado's resignation was the result of a growing drumbeat of public opinion against the former YPFB President's alleged malfeasance. On the other hand, Morales' decision to fire those who accused Alvarado of corruption indicates the GOB's limited tolerance of political dissent within its ranks. However, on the bright side, the new interim YPFB President is viewed as a reasonable interlocutor by private industry representatives. Sector contacts are hopeful that Ortiz' take-over of YPFB will enable progress on contract negotiations. End comment.  
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